

SENATOR WICKERSHAM: All right. Senator Chambers is referring to a memo that was distributed to all the members of the Legislature yesterday. This was originally a memo that was distributed to members of the Retirement Systems Committee so that they would have an understanding of the issue. As I noted yesterday, the problem came to our attention through a letter received in my office from a member of one of the retirement systems noting that the return on the investments, in that particular system, appeared to be understated. As my committee counsel began investigating the issue, because the number did not look right, the rate of return did not look right, we weren't able to explain it, initiated a series of inquiries initially to NPERS, the agency that actually administers the programs. PERB is the oversight board. But, anyway, the inquiries to NPERS we did not receive satisfactory answers. Additional inquiries were made to the actuary. After inquiries were made to the actuary and we began to understand that there was a discrepancy in the values reported to the actuary for use in determining the value of the system and future contributions, then we again went back to NPERS, asked for clarification, wanted to know why the values had been misstated. Again received explanations that were incomplete or inaccurate to our knowledge. Finally had a meeting in my office with the people who had knowledge of the issue, and finally settled on the explanation that DAS accounting had been furnishing to the Treasurer's Office a report of values in the system. The report also included other matters. It was really furnished to the Treasurer's Office as a tool for reconciling the Treasurer's balances. Some time ago, unknown to DAS accounting, the Treasurer's Office, probably at the request of NPERS, although this is also uncertain, was furnishing that report to that agency, NPERS. NPERS simply took the report, furnished it to the actuary. That report showed not the market value of equities held on June 30th, but on March 1st, that's the first one that was sent in August. Then it was updated and that update was also, we believe, furnished to NPERS, but no one compared the numbers on the update which properly reflected the value of the securities held by the retirement systems on June 30th. Now I want to emphasize that the reason that DAS gave two reports was due to an accounting or a reporting issue from the company that held the securities on behalf of the Investment Council. They simply weren't able to provide a complete report by the date that DAS accounting first furnished numbers to the State Treasurer's Office. That, we know that